

HOUSE BILL REPORT

2SSB 5092

As Reported by House Committee On:
Community & Economic Development & Trade
Appropriations

Title: An act relating to contracts with associate development organizations for economic development services.

Brief Description: Revising provisions for contracts with associate development organizations for economic development services.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Marr, Brown, Kilmer, Kauffman, Murray, Shin and Rasmussen; by request of Governor Gregoire).

Brief History:

Committee Activity:

Community & Economic Development & Trade: 3/21/07, 3/29/07 [DPA];
Appropriations: 3/31/07 [DPA(APP w/o CEDT)s].

**Brief Summary of Second Substitute Bill
(As Amended by House Committee)**

- Updates the duties of Associate Development Organizations (ADOs).
- Provides accountability provisions for ADOs under contract with the Department of Community, Trade and Economic Development.
- Provides a funding formula for ADOs located in urban and rural counties.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

Majority Report: Do pass as amended. Signed by 9 members: Representatives Kenney, Chair; Pettigrew, Vice Chair; Bailey, Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Chase, Darneille, Haler, Rolfes and P. Sullivan.

Staff: Tracey Taylor (786-7196).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Associate Development Organizations (ADOs) are under contract with the state to provide economic development services in the communities they represent. In most areas, they are known as Economic Development Councils or EDCs. There are currently 39 ADOs providing economic development services in Washington under contract with the Department of Community, Trade and Economic Development (DCTED).

Summary of Amended Bill:

Current statutory language is updated to reflect changes in the economic development landscape. This includes eliminating the directive that the DCTED contract not only with ADOs, but also other local organizations. The DCTED is also directed to consult with local governments, higher education institutions, workforce development councils, labor groups, and other appropriate groups regarding the establishment of an economic development delivery system.

The ADOs must provide direct assistance, including business planning, to companies who need support to stay in business, expand or relocate to Washington from out of state or other countries. The ADOs must partner with local governments, workforce development organizations, port districts, export assistance providers, local colleges and universities, the Washington Manufacturing Services, and Small Business Development Centers to facilitate the alignment of planning efforts and the seamless delivery of business support services in the county.

The ADOs are responsible for developing a county-wide economic development plan consistent with the state comprehensive plan for economic development developed by the Washington Economic Development Commission. In addition, the ADOs must respond to inquiries regarding sites available for development, and assist in site location and selection. Also, the ADOs must provide information on state and local permitting processes, tax issues and other essential information. Further, the ADOs are tasked with marketing the county and state as excellent locations to expand or locate a business.

In addition, the ADOs must identify gaps in the delivery of business start-up assistance and coordinate efforts with local assistance providers to fill those gaps.

The ADOs are directed to support regional economic research and regional planning efforts to implement target industry strategies and other economic development strategies that support increased living standards. This includes participating in planning efforts involving combined strategies around workforce development and economic development policies and programs. The ADOs must also collect and report local and regional economic information to inform local, regional, and statewide strategic decisions.

An ADO must submit an annual report to the DCTED. This report must include employment, wages, tax revenue, and capital investment data. The DCTED and an ADO will develop specific performance measures as part of the biennial contracting process. Once the DCTED and an ADO agree on specific target levels, an annual comparison of the actual performance

and the targets shall be conducted. Failure to achieve targets in more than one-half of the agreed measures triggers a remediation plan to address these performance gaps. If an ADO fails to achieve the agreed upon progress in the remediation plan, the ADO's contracts and state funding shall be terminated for one year. The ADO must reorganize or take other steps to address the issues and may reapply for a contract after a one year waiting period.

A funding formula, subject to appropriation, is established for urban and rural ADOs. If an ADO is located in an urban county, they may receive a locally matched \$0.90 per capita allocation, up to \$300,000 per organization, per year. If an ADO is located in a rural county, they may receive a base allocation of \$40,000 plus a locally matched \$0.90 per capita allocation.

Any ADO under contract with the DCTED that applies for the Washington State Quality Award or its equivalent shall receive a \$10,000 award; however, an ADO cannot receive the award more than once every three years. This section is subject to a null and void clause.

Amended Bill Compared to Second Substitute Bill:

The amended bill eliminates some of the specific jobs and duties of an associate development organization (ADO) in favor of a more general framework of duties. The amended bill also removes the direction that ADOs must participate with the State Board for Community and Technical Colleges (SBCTC) and any community college or technical college designated by the SBCTC to provide coordination of the Job Skills Training program within its region. In addition, the amended bill removes the requirement that the Washington State Economic Development Commission develop and review specific performance measures. Finally, the amended bill adds a null and void clause for section 4.

Appropriation: None.

Fiscal Note: New fiscal note requested on March 29, 2007.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of session in which bill is passed. However, section 4 is null and void unless funded in the budget.

Staff Summary of Public Testimony:

(In support) This bill signifies a long overdue commitment to the state is economic development and capacity building. Economic Development Councils (EDCs) generate jobs and investment in our local communities. In 2006, EDCs created 18,000 jobs, \$2.2 billion in investment, and \$128 million in revenues. With the limited amount of money dedicated to economic development, we must be more innovative in how we use the scarce dollars. This bill recognizes our local EDCs are poised to be more efficient and more accountable. Moreover, this bill allows the EDCs to continue what they are doing: growing our local entrepreneurial networks, assisting existing businesses, expanding businesses and manufacturers and leveraging local investments. In addition, the new funding will allow for the expansion of the recruitment and retention infrastructure in the state. The funding formula

in this version benefits our financially challenged rural EDCs. However, the House bill had less requirements for the funding.

(Opposed) None.

Persons Testifying: Senator Marr, prime sponsor; Marc Baldwin, Office of the Governor; James McMahan and Bruce Kendall, Washington Economic Development Association; Matt Matayoshi, Economic Development Council of Mason County; Michael Cade, Economic Development Council of Thurston County; Jim Hedrick, Spokane Area Chamber of Commerce Economic Development Council; and Bill Lotto, Lewis County Economic Development Council.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended by Committee on Appropriations and without amendment by Committee on Community & Economic Development & Trade. Signed by 31 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Haler, Assistant Ranking Minority Member; Anderson, Buri, Chandler, Cody, Conway, Darneille, Dunn, Ericks, Fromhold, Grant, Haigh, Hunt, Hunter, Kagi, Kenney, Kessler, Kretz, Linville, McDermott, McIntire, Morrell, Pettigrew, Priest, Schual-Berke, Seaquist and P. Sullivan.

Staff: Owen Rowe (786-7391).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Community & Economic Development & Trade:

The amended bill clarifies that the Department of Community, Trade, and Economic Development must contract with county designated associate development organizations (ADOs).

The amended bill makes changes regarding the scope of services that ADOs will undertake and adds the following requirements for ADOs to support regional economic research and regional planning efforts: ADOs will collect and report local and regional economic information to inform local, regional, and statewide strategic decisions regarding business development policy and economic development aspects of Growth Management Act planning; and ADOs will work with governmental jurisdictions and institutions to participate in the development of a countywide economic development plan, consistent with the state comprehensive plan for economic development by the Washington State Economic Development Commission.

The amended bill eliminates the \$10,000 award for any ADO applying for the Washington State Quality Award and provides for the reimbursement of the application fee for up to five ADOs per year that apply for the award. Finally, the amended bill replaces the sectional null and void clause with a standard null and void clause.

Appropriation: None.

Fiscal Note: New fiscal note requested on April 2, 2007.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of session in which bill is passed. However, the bill is null and void if not funded in the budget.

Staff Summary of Public Testimony:

(In support) This bill has been referred to as one of the most important pieces of economic development legislation that this Legislature has considered in the last 25 years by local economic development professionals.

(Opposed) None.

Persons Testifying: James McMahan, Washington Economic Development Association.

Persons Signed In To Testify But Not Testifying: None.